




**PART 2A**

# Form ADV

Firm Brochure

March 2023



This brochure provides information about the qualifications and business practices of Nepsis, Inc. If you have any questions about the contents of this brochure, please contact us at (952) 746-2003. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Nepsis, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Please note that registration as an investment advisory firm does not imply a certain level of skill or training.

## Item 2 Material Changes

Since our last required annual amendment to this disclosure brochure was submitted in March 2023 the following material changes have been made:

- In February 2022, the firm added the following under Portfolio Management Services: 'The Fee to Client' may include compensation paid to the Financial Advisor associated with the account.
- The firm enhanced the disclosures provided concerning the outside business activities of the company President, Mark Pearson. Please refer to **Item 10 - Other Financial Industry Activities and Affiliations** for more specific information.

We will ensure that you receive a summary of any material changes to this and subsequent Wrap Fee Program Disclosure Brochures within 120 days after our firm's fiscal year ends. Our firm's fiscal year ends on December 31, so you will receive the summary of material changes no later than April 30 each year. At that time, we will also offer or provide a copy of the most current Wrap Fee Program Disclosure Brochure. We may also provide other ongoing disclosure information about material changes as necessary.

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## Item 4 Advisory Business

### About the Firm

Nepsis, Inc. is a registered investment advisor located in Minneapolis, Minnesota. We offer investment supervisory services, financial planning and consulting to you, our clients, through our Investment Advisor Representatives. We also offer sub-advisory services to other investment advisory firms and research services to unaffiliated third parties. We have an affiliate Registered Investment Advisory firm, Nepsis Advisor Services, Inc. (NAS) and offer our investment management services to clients of NAS. Both Nepsis, Inc. and Nepsis Advisor Services, Inc. perform their services for clients acting as a fiduciary.

### Description of Advisory Services

#### Portfolio Management Services

We provide discretionary portfolio management services where the investment advice provided is custom tailored to meet your needs and investment objectives. Subject to any written restrictions, which you may choose to provide, you will be granting us discretion and authority to manage the account. Accordingly, we are authorized to perform various functions, at your expense and without your further approval. Such functions include the determination of securities to be purchased and sold and the amount of securities to be purchased and sold. Once the portfolio is constructed, Nepsis® provides continuous supervision and re-optimization of the portfolio as changes in market conditions and client circumstances may require. When appropriate, Nepsis® may use Sub-Advisors, who are unaffiliated third-party managers, to manage a portion of the client account. Clients receive the Form ADV disclosure brochures of these unaffiliated managers at the time they sign the Advisory Services Agreement. For their services, the Sub-Advisors receive a portion of the collected investment advisory fee. We offer managed accounts with similar management styles for a percentage of assets under management that includes transaction and custodial charges. This program is referred to as a wrap fee program. We receive a portion of the wrap fee for our services..

#### Participation in Wrap Fee Programs

Nepsis, Inc. only offers asset management services in a “wrap fee” program. The asset management fee charged for our wrap fee program includes transaction charges and is calculated based upon on a percentage of assets under management. The asset-based transaction fees are charged to Nepsis, Inc. by the custodian. The account custodian may charge fees for such things as margin interest, a fee for a retirement account, or a transfer fee apart from the wrap fee program.

The total cost of the individual services provided as part of the wrap fee program, if purchased separately, could be more or less than the costs of each respective program.

Cost factors may include your ability to:

- obtain the services provided within the programs separately with respect to the selection of investments,
- invest and rebalance the selected investments without the payment of a sales charge, and
- obtain performance reporting comparable to those provided within each program.

#### Client Assets Managed by Nepsis, Inc.

We manage client assets. As of December 31, 2022, we managed \$297,861,057.75 of client assets. All of the client assets are managed on a discretionary basis.

#### Financial Planning Services

We offer financial planning and consulting services to you regarding the management of your financial resources based upon an analysis of your individual needs. Our Investment Advisor Representatives who are qualified to provide financial planning services will advise on matters involving investments and non-investment related topics. Advice may cover tax planning, estate planning, retirement planning, college and education planning, among others. Once all pertinent information has been collected, reviewed, and analyzed, a written financial plan – focused on achieving your stated financial goals and objectives may be presented to you. The primary objective of this process is to allow us to assist you in developing a strategy for the successful management of income, assets and liabilities in meeting your financial goals and objectives.

Financial plans are based on financial information you provide to us. We rely on you to verify the accuracy of your information. Certain assumptions may be made with respect to interest and inflation rates and use of past trends and performance of the market and economy. Past performance is in no way an indication of future performance. We cannot offer any guarantees or promises that your financial goals and objectives will be met. As your financial situation, goals, objectives, or needs change, you must notify Nepsis® promptly.

We also offer consultation services in order to discuss investment, financial market and financial planning issues when you do not need a written financial plan. We also offer “as-needed” consultations, which are limited to consultations in response to a particular investment or financial planning issue raised or request made by you. Under an “as-needed” consultation, it will be incumbent upon you to identify those particular issues for which you are seeking our advice or consultation on.

Our financial planning and consulting services do not involve implementing any transaction on your behalf or the active and ongoing monitoring or management of your investments or accounts. You have the sole responsibility for determining whether to implement our financial planning and consulting recommendations. To the extent that you would like to implement any of our investment recommendations through Nepsis® or retain Nepsis® to actively monitor and manage your investments, you must execute a separate written agreement with Nepsis® for our asset management services.

### **Sub-advisory Services**

We offer sub-advisory services to other investment advisory firms. When doing so, we will provide the other investment advisory firm, or its clients, with investment research or suggested trades. We may have investment discretion for the other advisory firm’s clients. The advice we give to these clients may be similar or identical to the advice we give you.

### **Research Services**

We offer a variety of research services, including Research & Analysis, Portfolio Analytics, and Speaking Services. Our Research Services are designed for other financial advisors. These services are described below.

- 1. Research & Analysis that includes macro market commentary and is distributed in several documents.**
  - a. Weekly Market Recap Word document known as “The Spotlight”
  - b. Monthly global topical research Word document known as “The BLOG”
  - c. Quarterly Economic Update PowerPoint known as “Economic Update & Market Outlook”
  
- 2. Portfolio Analytics includes the development of mutual fund, variable annuity and ETF model portfolios**
  - a. Quarterly written summary in Word document of each fund category, why we have chosen each option, and if any changes are warranted.
  - b. Quarterly Fund Rankings Excel Spreadsheet Stoplight report highlighting the ranking of each fund, the return of each model and how they performed vs. the market
  - c. Morningstar Report of each model and each fund option
  
- 3. Speaking Services which includes educational workshops to the public and CE classes for Kaplan University**
  - a. Financial Representatives may hire our representatives to speak at client educational workshops
  - b. Kaplan University may hire our representatives to teach Asset Allocation & Beyond to their Continuing Education classes

## Item 5 Fees and Expenses

### Portfolio Management Fees

Typically, asset management fees are deducted from your managed account, and you must provide the custodian holding your assets with written authorization to have the fees deducted and paid directly to us. If required by the client, Nepsis® also has the ability to invoice you directly for all asset management fees. At least quarterly, the custodian sends you a statement showing all disbursements from the account, including any advisory fees deducted.

The annual fee for portfolio management services is billed quarterly in advance based on the asset value at the end of the previous quarter. Fees will be assessed pro rata in the event the portfolio management agreement is executed at any time other than the first day of a calendar quarter.

We charge accounts a maximum annual advisory fee of 2.50% of the value of assets under management. This fee is negotiable at our discretion. Our services are offered as a wrap fee program. The specific level of services you will receive and the fees you will be charged will be specified in your advisory services agreement.

An additional asset-based pricing fee (ABP) is charged in lieu of paying standard ticket charges for security purchases & sells. That fee is calculated as follows:

- From 0\$ to \$75,000, the fee is .20% of assets under management (AUM)
- From \$75,001 to \$2,000,000, the fee is .12% of AUM.
- From \$2,000,001 and Above, the fee is .08% of AUM.

For managed accounts in the Nepsis, Inc. Wrap Fee program, the ABP fees charged by Pershing will be deducted from client accounts by Nepsis, Inc.

The client will be responsible for any other miscellaneous and non standard ticket charges imposed by the Custodian

Performance Reporting/ Account Maintenance Fee (Quarterly per account): \$21.25

Performance Reporting/ Account Maintenance Fees are deducted from your advisory account.

You may terminate the portfolio management agreement within five days of the date of execution without penalty. After the five-day period, either of us may terminate the portfolio management agreement by providing written notice to the other party. In the event the portfolio management agreement is terminated during a calendar quarter, portfolio management fees will be pro-rated and if a refund is due, it will be paid back into the account. The Firm previously offered different fee schedules and some Clients may have arrangements other than what we list in this document.

When making cost comparisons, clients should be aware that the combination of multiple mutual fund investments, advisory services, custodial and brokerage services available through each program may not be available separately or may require multiple accounts, documentation and fees. If an account is actively traded or if the client otherwise does not qualify for reduced sales charges for fund purchases, the fees may be less expensive than separately paying the sales charges and advisory fees. If an account is not actively traded or the client otherwise would qualify for reduced sales charges, the fees in these programs may be more expensive than if utilized separately.

### Fees for Financial Planning and Consulting

Clients that contract with us for financial planning and consulting services will be charged based upon our hourly rate of \$250 (subject to adjustment over time) or as a fixed fee agreed upon at the time you sign the investment advisory agreement. The fees for financial planning services are billed to you upon completion of the contracted services and are due and payable at that time.

Nepsis® provides financial consulting services under a fixed fee arrangement. A mutually agreed upon fixed fee is charged for consulting services under this arrangement. The fixed fee charged by Nepsis® for consulting services will range from a minimum fee of \$5,000 up to a maximum fee that is negotiable depending the services to be performed and the complexity of the clients situation, The amount of the fixed fee for your engagement is specified in your agreement with Nepsis®. Upon completion for the consulting services the fixed fee is considered earned by Nepsis® and any unpaid amount is immediately due.

You may terminate the financial planning agreement within five days of the date of execution without penalty. After the five-day period, either party may terminate the agreement by providing written notice to the other party. In the event you terminate the agreement after five days of execution, you will only be charged for the portion of work Nepsis® has performed. You may act on our recommendations by placing securities transactions with any brokerage firm you choose. You are under no obligation to act on our financial planning recommendations.

Moreover, if you elect to act on any of the recommendations, you are under no obligation to implement the financial plan through us.

### **Fees for Sub-Advisory Services**

For our sub-advisory service, we receive a portion of the investment advisory fee from the third- party advisor.

### **Fees for Research Services**

Our research services are available for the following costs; but are subject to change based on the amount of time involved and the complexity of the research. For those clients wishing only to pay for basic services, the following schedule is typical. These fees are payable monthly, in advance.

1. Research & Analysis costs \$1500 per year
2. Portfolio Analytics costs \$4500 per year
3. Speaking Services cost \$1000 per educational workshop and \$400 per Kaplan University Class

### **Other Fees Associated with Investing**

Our advice may include investment in mutual funds. All fees we receive for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. Further, there are transaction charges involved with purchasing or selling of securities. Nepsis® does not share in any portion of the brokerage fees or transaction charges imposed by the custodian holding the client funds or securities. You should review all fees charged by mutual funds, Nepsis®, and others to fully understand the total amount of fees you will pay.

You do not typically pay custodial transaction fees because we offer our portfolio management services as a wrap fee program. Your trading costs are included in the wrap fee. You may be charged a fee for such items as margin interest, a fee for a retirement account, or a transfer fee.

## **Item 6 Performance-Based Fees and Side-by-Side Management**

We do not accept performance-based fees. Performance-based fees allow the investment advisor to share in profits in client portfolios. We do not perform side-by-side management. In side-by- side management a firm manages a portfolio of securities concurrently with client portfolios. It is our opinion that clients do not usually benefit from side-by-side management.

## Item 7 Types of Clients

We work with individuals, high net worth individuals, retirement accounts, charities, and other businesses.

We require a minimum of \$500,000 to open and maintain an advisory account. We may waive this requirement at our discretion if, for example, the Client appears to have significant potential for increasing assets under our management.

## Item 8 Methods of Analysis, Investment Strategies, and Risk of Loss

We advise individual clients regarding the investment management of mutual funds, exchange-traded funds, variable annuities, variable life products, and separate account managers of equities and bonds. Under some circumstances, we may advise clients regarding other securities, such as individual stocks and closed-end funds. Investment strategies and policies as well as risks are included and described in the relevant prospectus and registration statement.

We use the following methods of security analysis:

- **Charting** – analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices.
- **Fundamental** – analysis performed on historical and present data, with the goal of making financial forecasts.
- **Technical** – analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices.

We use the following investment strategies when implementing investment advice given to clients:

- **Long Term Purchases:** Securities held at least one year
- **Short Term Purchases:** Securities held less than one year

Our primary investment strategies - Long Term Purchases and Short-Term Purchases are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer-term investment strategies require a longer investment time period to allow the strategy to potentially develop. Shorter-term investment strategies require a shorter investment time period to potentially develop but as a result of more frequent trading, may incur higher transactional costs when compared to a longer-term investment strategy.

### Primarily Recommend One Type of Security

We do not primarily recommend one type of security to clients. Instead, we recommend any product that may be suitable for each client relative to that client's specific circumstances and needs.

### Risk of Loss

Past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds, etc.) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. You should be prepared to bear investment loss including loss of original principal.



Because of the inherent risk of loss associated with investing, our firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated with investing in securities through our investment management program, as described below:

- **Market Risk** – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- **Equity (stock) Market Risk** – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- **Company Risk.** When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- **Fixed Income Risk.** When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- **Options Risk.** Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- **ETF and Mutual Fund Risk.** When investing in an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. You will also incur brokerage costs when purchasing ETFs.
- **Management Risk.** Your investment with our firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.

## Item 9 Disciplinary Informations

Neither the Firm nor any of our management persons have been involved in any events that are material to a client's or prospective client's evaluation of the Firm or the integrity of its management

## Item 10 Other Financial Industry Activities and Affiliations

We have an affiliate, Nepsis Advisor Services, Inc., which is also a registered investment advisory firm. The representatives of Nepsis Advisor Services, Inc. may refer business to us for us to manage. This may create a conflict of interest in that we will receive compensation if these related persons refer us assets to manage.

We also have an affiliate, Nepsis Retirement Services, Inc., which is not a registered investment advisory firm, but which provides third party administration and consulting services for qualified retirement plans such as 401(k)'s.

### Insurance Agency/Agents

We have created an affiliate company - Nepsis Insurance, Inc. and insurance agency in the state of Minnesota.

You may work with your investment adviser representative in his or her separate capacity as an insurance agent through the Nepsis® agency. When acting in his or her separate capacity as an insurance agent, the investment adviser representative may sell, for commissions, general disability insurance, life insurance and annuities to you. As such, your investment adviser representative in his or her separate capacity as an insurance agent, may suggest that you implement recommendations of Nepsis® by purchasing disability insurance, life insurance or annuities. This receipt of commissions creates an incentive for the representative to recommend those products for which your investment adviser representative will receive a commission in his or her separate capacity as an insurance agent. Consequently, the advice rendered to you could be biased. You are under no obligation to implement any insurance or annuity transaction through your investment adviser representative.

### Accounting Services

In January 2023 Mark Pearson, President of Nepsis, Inc. purchased a CPA firm and branded the company as Nepsis Tax Solutions, LLC. If any of the Nepsis Tax Solutions, LLC. accounting clients need assistance with advisory matters, they will be referred to Nepsis®. Nepsis Tax Solutions, LLC. does not provide advisory services to Nepsis® clients and does not receive advisory fees. This is a conflict due to Mr. Pearson's ownership of Nepsis, Inc and Nepsis Tax Solutions, LLC. While Nepsis Tax Solutions, LLC. is not directly compensated for accounting client referrals, as one of Advisor's owners Mr. Pearson receives profits earned by the company. Nepsis, Inc. may also refer advisory clients needing assistance with accounting matters to Nepsis Tax Solutions, LLC. Clients are not obligated to use Nepsis Tax Solutions, LLC. for accounting services, and no referral fees are paid to Nepsis, Inc. if they elect to do so.

Please refer to **Item 14 – Client Referrals and Other Compensation** for a more detailed explanation of the relationship between Nepsis, Inc. and Nepsis Tax Solutions, LLC.

### Other Business Activity of the Company Principal

For the time period of May 2013 to May 2016 (while Ecoark was a private company) the company president, Mark Pearson was a member of the advisory board of Ecoark Holdings, Inc. As a member of the Advisory Board Mr. Pearson was compensated with 62,500 shares of Ecoark stock as compensation for advising Ecoark management on strategic decisions and direction for the company, including the purchase of Zest Labs, Inc. Significant positions of Ecoark Holdings, Inc stock have been included in client's investment advisory portfolios managed by Nepsis® on a discretionary basis. Nepsis® clients have also invested in the shares of Ecoark Holdings, Inc outside of their managed accounts. The receipt of the shares of stock as compensation created a conflict of interest for Mr. Pearson since he was providing advice on the strategic direction of the company. Mr. Pearson addressed this conflict of interest at the time by only placing the shares of Ecoark Holdings, Inc in to the portfolios of clients whose financial situations and risk tolerance were suitable for an investment in to a private and speculative stock position.

Because of Mark Pearson's extensive experience in investing in companies based in China, on November 15, 2016 Mark Pearson entered into a consulting agreement with China Rapid Finance Limited that terminated on March 15, 2017. The purpose of the consulting agreement was to assist analysts, shareholders and management of China Rapid Finance with the following:

1. Formulation of certain investor communications as well as assisting the company with managing investor relations.
  2. Assist the Company with the conduct of market analysis by the company.
  3. Assist the Company with analyzing the effect trends in the People's Republic of China market on the U.S.
  4. Assist the Company with performing an investment feasibility analysis.
  5. Providing expertise on Chinese Companies/ Stocks and input/ insights on valuation methodology and market opportunity.

In October 2022 Mark Pearson entered into a five year exclusive consulting agreement with White River Energy. Mr. Pearson will supply White River with detailed analytical reports in exchange for a fixed consulting fee.

Mr. Pearson and related persons of Mark Pearson have also personally invested in the securities issued by White River. These investments have been made personally and through a series of Limited Liability Corporations established to hold the investments in White River Energy. Mr. Pearson and related persons also hold ownership interest in various oil producing investments inside and outside of White River. In addition, Mr. Pearson and Randy May Executive Chairman of White River Energy have maintained a close personal relationship and have made joint investments into the energy sectors outside of White River using personal assets and establishing LLCs to hold title to the investments.

Mr. Pearson and Nepsis® have also invested a portion of the firms client managed portfolios in to securities issued by White River. Currently, the client portfolios managed by Nepsis, Inc. are the largest shareholder of White River Energy. Mr. Pearson has also been compensated for consulting services provided to White River by receiving shares of the company. Mr. Pearson and associates of Nepsis® also recommend to clients of Nepsis® to invest in the Closed end oil fund designed for tax planning and strategies and individual well options as they come available and appropriate for clients investment objectives. His position of outside consultant, investor and his firm, Nepsis®, being the largest shareholder of White River, creates a serious conflict of interest that is mitigated by only recommending utilizing White River securities in the portfolios of suitable Nepsis® clients that have received an explanation of the conflicts and have agreement to the transaction.

## Item 11 Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading

Persons associated with our firm, a related person, or affiliates may buy or sell for their own accounts, the same securities we recommend to you. They may do so at the same time as they, buy or sell the same securities for your account. Associated persons seek to ensure that they do not personally benefit from the short-term market effects of their recommendations to you. We receive information about all of our associate's transactions and monitor them for any wrongdoing.

As discussed in **Item 10 Other Financial Industry Activities and Affiliations** the President of Nepsis®, Mark Pearson, has relationships with at least 2 investments (Ecoark Holdings and White River Energy) that are included the portfolios of the managed accounts of Nepsis, Inc. These relationships create a serious conflict of interest for Mr. Pearson and clients of the firm. This conflict is mitigated by only recommending utilizing Ecoark and White River Energy Corp. securities in the portfolios of suitable Nepsis® clients that have received an explanation of the conflicts and have agreement to the transaction.

Associated persons are aware of the rules regarding material non-public information and insider trading. Associated persons may buy or sell a specific security for their own account based on personal investment considerations, which Nepsis, Inc. does not deem appropriate to buy or sell for clients.

We have adopted a Code of Ethics to instruct our personnel in their ethical obligations and to provide rules for their personal securities transactions. The Firm and all our personnel owe a duty of loyalty, fairness and good faith to our clients, and the obligation to adhere not only to the specific provisions of the code but also to the general principles that guide the Code. The Code covers a range of topics including general ethical principles, reporting personal securities trading, exceptions to reporting securities trading, reportable securities, initial public offerings and private placements, reporting ethical violations, distribution of the Code, review and enforcement processes, amendments to Form ADV and supervisory procedures. We will provide a copy of the Code to any client or prospective Client upon request.

## Item 12 Brokerage Practices

We do not receive any research or other products or services other than execution from a broker-dealer or third party in connection with your securities transactions. Nor do we receive any client referrals from a broker-dealer or third party.

Nepsis® considers a number of factors besides prices and rates including, but not limited to:

- Execution capabilities (e.g., market expertise, ease/reliability/timeliness of execution, responsiveness, integration with the firm's existing systems, ease of monitoring investments)
- Products and services offered (e.g., investment programs, back office services, technology, regulatory compliance assistance, research and analytic services)
- Financial strength, stability and responsibility
- Reputation and integrity
- Ability to maintain confidentiality

The firm exercises reasonable due diligence to make certain that best execution is obtained for all clients when implementing any transaction by considering the back-office services, technology and pricing of services offered.

We typically recommend Pershing, LLC member FINRA/SIPC, as custodian. We chose them as our main custodians because of their customer service, technology, trade execution, and low client expenses. They have no transaction fees, relatively low custodial fees, provide and document data on best execution basis for our review and monitoring, and provide many client services free of charge.

You may instruct us to use one or more particular brokers for the transactions in your accounts. Clients who may want to direct us to use a particular broker should understand that this could prevent us from effectively negotiating brokerage commissions on your behalf. This arrangement may also prevent us from obtaining the most favorable net price and execution.

Thus, when directing brokerage business, you should consider whether the commission expenses and execution, clearing and settlement capabilities that you obtain through your broker are adequately favorable in comparison to those that we would otherwise obtain for you. We encourage you to discuss available alternatives with your Investment Advisor Representative.

### Aggregate Trading

We may "bunch" buy or sell orders for two or more clients into a single large order and place the bunched order with a single broker or dealer for execution (referred to as "block trading"). We are not obligated to place all transactions on a "bunched" basis. When determining whether to "bunch" orders, we rely on our judgment as to what course of action is likely to be fair and in the best interests of the relevant accounts on an overall basis. That is, we seek to avoid putting any client account at an advantage or disadvantage compared to our other client accounts that are buying or selling the same security.

Block trading is permitted where the following conditions are met:

Orders of two or more clients may be bunched only if we have determined, on an individual basis that the securities order is:

1. In the best interests of each client participating in the order;
2. Consistent with our duty to obtain best execution; and
3. Consistent with the terms of the investment Advisory agreement of each participating client.

Where conducting a block trade, we will determine the accounts that will participate, and the specific allocations in advance of the transaction. If the entire order is filled, you will receive your portion of the allocation specified on the trade ticket. All allocations are completed prior to the close of business on trade date. Client accounts participating in the transaction will receive the weighted average price of the security and will incur a pro-rata share of the transaction cost, if any.

Our books and records separately reflect, for each client for whom an order is bunched, the securities held by, purchased, and sold for that client. Records are retained for a minimum of five (5) years.

## Trade Errors

From time to time, errors may occur in trading, such as Nepsis® personnel entering an incorrect number of shares to be traded or possibly entering an incorrect investment name, symbol or CUSIP number for the transaction. If such an event occurs, Nepsis® will be responsible for any loss that might accrue to the Client. Likewise, in the unlikely event of excess gain, Nepsis® does not benefit in any way from this as it stays with the custodian.

## Item 13 Review of Accounts

### Review of Accounts

Mark Pearson, President and Chief Investment Officer generally reviews accounts no less than quarterly. When reviewing accounts, he checks the accuracy of the account holdings, continued suitability of investment products held as well as allocation of investment types and also checks that the account continues to work towards the client's goals and objectives.

While the calendar is the main triggering factor, account reviews are also conducted due to client request, due to a change in client circumstances, large deposits or withdrawals from a client's account, a change in account holdings or investment objectives or due to unusual market activity or economic conditions.

### Reports to Clients

Nepsis® will prepare performance reports for asset management clients on a quarterly basis. In addition, Nepsis, Inc. will seek to assure that you will receive statements directly from your account custodian(s) at least quarterly.

Financial planning accounts do not receive any reports other than the financial plan included as a part of the services originally contracted for.

## Item 14 Client Referrals and Other Compensation

Outside persons, called Solicitors, who are directly responsible for bringing a Client to us, may receive compensation from Nepsis®. Such agreements will comply with the requirements set out in Rule 206(4)-3 of the Investment Advisers Act of 1940, including the requirement that the relationship between the solicitor and the investment adviser be disclosed to you at the time of the solicitation or referral. Under these arrangements, you do not pay higher fees than our typical advisory fees.

We enter into marketing arrangements with affiliated and unaffiliated investment advisory firms pursuant to which representatives of their firms, offer our services to the public. Through these arrangements, we will pay a cash referral fee both to the solicitor and to the firm based on a percentage of our advisory fee under the terms of a written agreement. The amount of the fee may vary depending on the agreement executed with the firm. Those firms may in turn share a portion of the referral fee with other individuals or entities from whom the referral was generated.

In any case, applicable state laws may require these persons to become licensed either as our representatives or as an independent investment adviser representative. We will request that our clients acknowledge this solicitor arrangement prior to acceptance of the Clients' account for advisory services.

## Accounting Firm Relationship

Please see **Item 10, Other Financial Industry Activities and Affiliations**, for additional discussion about our affiliation with the accounting firm of Nepsis Tax Solutions, LLC. Clients of Nepsis Tax Solutions, LLC. may be referred to us for advisory services and we may refer advisory clients to Nepsis Tax Solutions, LLC. for accounting services. You are under no obligation to use our services or the services of Nepsis Tax Solutions, LLC. Because of this affiliation, both Nepsis Tax Solutions, LLC. and we have an incentive to recommend each other to clients before recommending other accounting and financial firms. This creates a conflict of interest.

If an advisory client decides to utilize the services of Nepsis Tax Solutions, LLC. for their tax preparation needs, the Advisor who initiated a program in which the firm may pay Nepsis Tax Solutions, LLC. for all or a portion of the tax preparation fees for advisory clients with assets under management of over \$250,000. The decision to pay the tax preparation fees on behalf of qualified clients will not be available to all clients and will be solely at the discretion of the Advisor.

## Item 15 Custody

Custody, as it applies to investment advisors, has been defined as having access or control over client funds and/or securities, but does not include the ability to execute transactions in client accounts. Custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody for purposes of the *Investment Advisers Act of 1940* and must ensure proper procedures are implemented. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody. We are deemed to have custody of client funds and securities whenever we are given the authority to have fees deducted directly from client accounts. In addition, for certain client accounts we have the ability to transfer funds from their managed accounts to designated third parties based upon a standing letter of authorization. The SEC has also deemed this activity to be custody of client assets. However, our procedures are designed to meet the requirements established by the SEC.

For accounts where we are deemed to have custody, we have established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the creation of all accounts and therefore are aware of the qualified custodian's name, address, and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly.

Clients should carefully review all statements received from the custodian and are urged to carefully compare the custodian statement against reports received from us. When clients have questions about their account statements, they should contact us or the qualified custodian preparing the statement.

## Item 16 Investment Discretion

Asset management services are provided on a discretionary basis only. This means we make all decisions to buy, sell or hold securities, cash or other investments in the managed account at our sole discretion without consulting with you before implementing any transactions. You must provide us with written authorization to exercise this discretionary authority. You can impose reasonable restrictions on the management of your accounts. You may also request the purchase or sale of certain securities. If requesting a purchase or sale, it will be the responsibility of the client to inform Nepsis, Inc. of when you would like the transaction to be placed.

When discretionary authority is granted, it is limited. We do not have access to your funds and/or securities with the exception of having advisory fees deducted from your account and paid to us by the account custodian. Any fee deduction is done pursuant to your prior written authorization provided to the account custodian.

## Item 17 Voting Client Securities

Nepsis® typically does not vote proxies on behalf of Clients.

However, if required by the account custodian and Nepsis® decides to accept such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances all proxies will be voted consistent with guidelines established and described in Nepsis® Proxy Voting Policies and Procedures, as they may be amended from time-to-time. At any time, clients may contact Nepsis® to request information about how Registrant voted proxies for that client's securities or to obtain a copy of Nepsis® Proxy Voting Policies and Procedures.

A brief summary of Nepsis® Proxy Voting Policies and Procedures is as follows:

- Nepsis® will be responsible for monitoring corporate actions, making voting decisions in the best interest of shareholders generally and, if applicable, the specific client. Nepsis® will be responsible for ensuring that proxies are submitted in a timely manner.
- The firm will generally vote proxies according to Nepsis®'s then current Proxy Voting Guidelines.
- Although the Proxy Voting Guidelines are to be followed as a general policy, certain issues will be considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, Nepsis® shall devote an appropriate amount of time and resources to monitor these changes.
- In any situation where there is a conflict of interest in the voting of proxies due to business or personal relationships that Nepsis® maintains with persons having an interest in the outcome of certain votes, Nepsis® will notify any client who holds such security and disclose the nature of the conflict. If the client still wishes Nepsis® to vote the proxy, Nepsis® will take appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

If we do not accept the proxy voting responsibility any proxy notices it will be your responsibility to vote all proxies for securities held in the Account. You will receive proxies directly from the qualified custodian or transfer agent; we will not provide you with the proxies. You are encouraged to read through the information provided with the proxy-voting documents and to make a determination based on the information provided.

## Item 18 Financial Information

We have no financial condition that is reasonably likely to impair our ability to meet contractual commitments to you. We do not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. Finally, we have not been the subject of a bankruptcy petition at any time.

### Privacy Policies

Protecting Client privacy is very important to Nepsis®. We view protecting your private information as a top priority and pursuant to the requirements of the Gramm-Leach Bliley Act, the firm has instituted policies and procedures to ensure that customer information is kept private and secure.

Nepsis® does not disclose any nonpublic personal information about its customers or former customers to any nonaffiliated third parties, except as permitted or required by law. In the course of servicing a Client's account, Nepsis® may share some information with its service providers, such as transfer agents, custodians, broker-dealers, accountants and lawyers.

Nepsis® restricts internal access to nonpublic personal information about the client to those employees who need to know that information in order to provide products or services to the Client. As emphasized above, it has always been and will always be the firm's policy never to sell information about current or former customers or their accounts to anyone. It is also the firm's policy not to share information unless required to process a transaction, at the request of a customer, or as required by law.

### Class Action Lawsuits

From time to time, securities held in the accounts of Clients will be the subject of class action lawsuits. Nepsis® has no obligation to determine if securities held by the Client are subject to a pending or resolved class action lawsuit. Nepsis® also has no duty to evaluate a Client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, Nepsis® has no obligation or responsibility to initiate litigation to recover damages on behalf of Clients who may have been injured as a result of actions, misconduct or negligence by corporate management of issuers whose securities are held by Clients.

Where Nepsis® receives written or electronic notice of a class action lawsuit, settlement or verdict affecting securities owned by a Client, it will forward all notices, proof of claim forms and other materials, to the Client. Electronic mail is acceptable where appropriate, and the Client has authorized contact in this manner.





For more information contact:

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